

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

THE Demand and Price RECEIVED ★ MAY 29 1942 ★ U. S. Department of Agriculture SITUATION

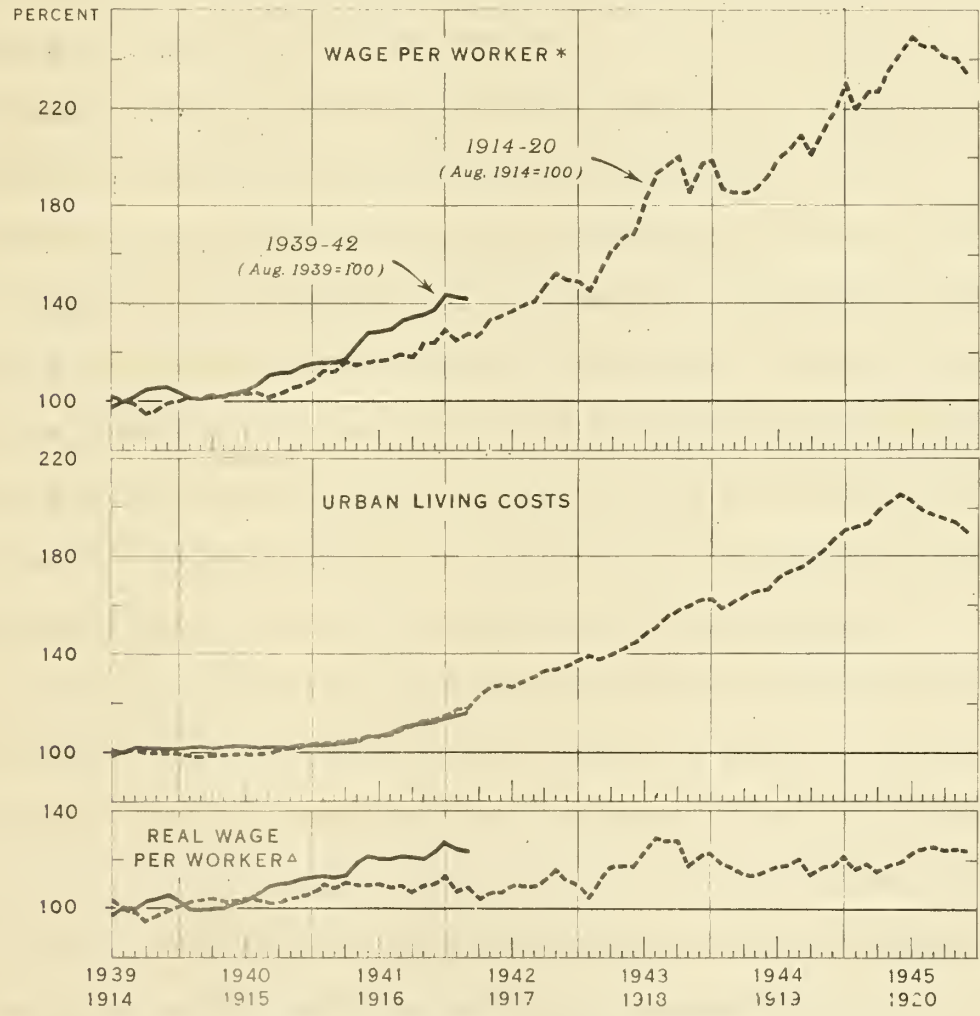
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



MAY 1942

FACTORY WAGE PER WORKER URBAN LIVING COSTS, AND REAL WAGES.
INDEX NUMBERS, UNITED STATES, 1914-20, AND 1939-42



BASED ON DATA FROM BUREAU OF LABOR STATISTICS * ADJUSTED FOR SEASONAL VARIATION
Δ WAGE PER WORKER DIVIDED BY URBAN LIVING COSTS

U. S. DEPARTMENT OF AGRICULTURE

NEG. 42189 BUREAU OF AGRICULTURAL ECONOMICS

WAGES PER EMPLOYED FACTORY WORKER HAVE INCREASED MORE RAPIDLY SINCE AUGUST 1939 THAN DURING THE CORRESPONDING PERIOD OF WORLD WAR I, WHEREAS URBAN LIVING COSTS HAVE INCREASED AT ABOUT THE SAME RATE AS DURING THE PREVIOUS WAR. THE RESULT IS A MUCH LARGER INCREASE IN REAL FACTORY WAGES (WAGES ADJUSTED FOR CHANGES IN LIVING COSTS) DURING THE FIRST 31 MONTHS OF THE PRESENT WAR THAN DURING WORLD WAR I.

SUMMARY

Although prospects are that agricultural production will be increased considerably during the current season in line with Government programs to meet needs of the United Nations, the expected increase in lend-lease buying and continuance of the upward trend in consumer income assure generally satisfactory markets for farm products throughout the remainder of the year.

The "General Maximum Price Regulation" of the Office of Price Administration, fixing wholesale and retail price ceilings for most commodities (exceptions apply largely to agricultural commodities) at the maximum prices charged for them in March, is expected to result in a definite slowing of the advances in wholesale prices, living costs, and prices paid by farmers, compared with those of the past year. The controls also will affect prices received by farmers and farm income. Together with other controls, it is estimated that this broad price order brings under some form of control: (1) about 80 percent of the commodities used in construction of the Bureau of Labor Statistics wholesale price index; (2) about 75 percent of the products and services included in the Bureau of Labor Statistics cost of living index; (3) about 75 percent of the items contained in the index of prices paid by farmers, including interest and taxes; and (4) commodities processed from about 60 percent of the farm products entering into the index of prices received by farmers.

Slaughter supplies of hogs during the May-September period are expected to be 15 to 20 percent larger than in 1941. But the price outlook is the most favorable in years, owing to strong consumer demand, military needs, and large lend-lease requirements for pork and lard. Cattle marketings continue much larger than a year ago, but prices weakened some following the maximum price order covering beef cuts (not live cattle). Lamb prices have

risen considerably since March and in mid-April farmers were getting higher prices for wool than at any time since 1925. Mutton and lamb are not subject to price ceilings under the recent order, but wool is subject to control under a previous order.

Feed supplies in 1942-43 may be about 10 percent smaller per animal unit than the near-record supplies in 1941-42. Price ceilings have been placed over most important byproduct feeds but ceilings do not apply to grain prices.

Consumption of cotton and wool is at record levels despite necessary curtailment of civilian uses due to military needs.

Wheat crop prospects improved during the past month but prices recovered some from mid-March levels. An average Government loan rate of \$1.14 per bushel on 1942 wheat has been announced compared with 98 cents last season.

Disappearance of fats and oils recently has been at about the record 1941 average rate and consumption probably will increase further unless restricted by Government action. Although dealer stocks of some finished goods are large and domestic production of fats and oils is expected to be larger than in 1941, requirements are large and imports are smaller than in recent years, so that factory stocks of primary fats and oils are likely to be much reduced in 1942.

-- May 16, 1942

DEMAND

Conditions which ordinarily affect the domestic consumer demand for farm products have been relatively stable in recent months, since increases in output of military equipment have been more or less offset by reduced production of civilian goods. The change-over from civilian to war production now is well under way, and soon there should be a further rise in aggregate industrial output, nonagricultural employment and consumer income.

Nonagricultural civil employment in March was down slightly, after adjustment for seasonal variation, for the third consecutive month; but the 3-month decline amounted to considerably less than one percent. Military

employment no doubt has increased considerably since December. Therefore, there probably are more employed nonagricultural workers at present than at any previous time, and their wages are continuing to increase moderately. Reduced output of a large number of consumer items accounts for the failure thus far in 1942 of civilian employment to expand along with the rapid rise in war spending. War expenditures in April totaled 3,231 million dollars, an increase of 125 percent over expenditures in November 1941. During this same period the index of industrial production increased less than 4 percent.

Factory payrolls and average payroll per worker (see cover chart) have declined slightly since January, largely because the temporary dislocations connected with the conversion from civilian to war products have affected many of the higher paid workers. The decline in factory payrolls has been somewhat more than offset by increased payments to workers employed in other fields of activity. However, gains in aggregate wage and salary payments are expected to be much larger when factory payrolls again increase along with the expected rise in total industrial production.

Prospects are that agricultural production will be increased considerably during the current season in line with Government programs to meet food needs of the United Nations. The expected increase in lend-lease buying, together with the anticipated further gains in consumer income, assures generally satisfactory markets for farm products throughout the remainder of the year.

THE GENERAL PRICE LEVEL

On April 28 the Office of Price Administration issued a "General Maximum Price Regulation" order fixing the highest prices which may be charged by sellers of commodities and services connected with commodities, at the maximum prices charged for the same or similar commodities or services during March 1942. Although a few commodities (largely agricultural) are specifically exempt from this order, this is the most sweeping regulation of prices and living costs ever promulgated in this country and follows by only 3 months the "Emergency Price Control Act of 1942," approved January 30. The dates at which ceiling prices become effective are: (1) wholesale prices and services, May 11; (2) retail prices, May 18; (3) retail services, July 1.

A study of this broad price order, previous specific orders, and other regulatory measures indicates that, on the basis of weights assigned to them, about 20 percent of the commodities contained in the Bureau of Labor Statistics index of wholesale prices are exempt from direct controls. Exemptions for wholesale prices apply largely to the groups of commodities which during the past 12 months have shown larger than average rises. Therefore, even were control efforts entirely successful for commodities covered by the order, the rate of gain in the Bureau of Labor Statistics wholesale price index would not be cut to 20 percent of that of the past 12 months unless there were also a slowing of the advance in the uncovered items. If the covered items were to show no change as a group and the advance in the uncovered items is not retarded the rate of increase in the composite index would be about one third as fast as during the past year.

Since the parity index, upon which minimum price ceilings for some of the exempted agricultural commodities are based, will not rise as fast as

previously, and also because prices of all commodities are interrelated to a considerable extent, it may be that prices of commodities not covered by the order will advance at a slower rate than heretofore. On the other hand, these effects may be more than offset by the diversion of consumer incomes to the uncontrolled products, with the result that the upward pressure on these prices may be increased rather than diminished. In any event, the over-all rise in wholesale prices will be much less than it would have been in the absence of general price control.

Since around 50 percent of all the items contained in the Bureau of Labor Statistics cost of living index are covered by price orders, and another 25 percent (such as rent, utilities and other services) are effectively controlled either by Office of Price Administration orders or by utility commissions, it is probable that the rise in the cost of living will be relatively slow after this order becomes operative. Estimates, made on the basis of assumptions similar to those explained in the discussion of wholesale prices, indicate a rise in the index of living costs after mid-year only 25 to 30 percent as fast as during the past 12 months, even if items not subject to price ceilings should continue to advance as rapidly as last year. Aside from these calculations, the success which has attended "piecemeal" control efforts in this country to date, as well as broader control efforts in England and Canada, affords considerable assurance that further price rises will be greatly moderated. This is particularly true in regard to retail prices, or living costs.

The new price controls tend to offset the effects of, but do not in themselves remove, the pressure on prices created by the continued rise in money income of consumers in the face of a declining volume of production of civilian goods. But price controls will serve to divert into other channels, such as war bonds and private debt retirement, money which otherwise would be absorbed in bidding up the prices of commodities; and these controls will be supplemented by other measures designed to absorb part of the excess purchasing power. Although wages were not included in the ceiling order, the price controls themselves will have a tendency to reduce the demands for higher wages, and to increase the opposition of employers to further wage increases.

Probably a better idea of the effectiveness of broad price controls is afforded by reference to the degree of success attained with similar controls in other countries, and the more limited piecemeal controls in this country. Those who have watched the controls develop in this country are familiar with the small rise in prices of some scarce war materials (such as non-ferrous metals) which attended Government controls long before the "Emergency Control Act of 1942" was approved; also they are aware that since approval of the Act the composite index of the 20 controlled basic commodities (contained in the Bureau of Labor Statistics daily index of 28 basic commodities) has not advanced, whereas the composite index of the 8 uncontrolled commodities has continued to rise.

Records also are available to show the effects of such broader price controls in other countries. In Canada general price controls were put into effect December 1, 1941. According to Dominion Bureau of Statistics index numbers, living costs have declined slightly since these controls were instituted, and wholesale prices have advanced about one percent. Between August

1939 and November 1941. (a period of 27 months) living costs in Canada rose 15 percent, and wholesale prices 30 percent. Subsidies have been used in Canada to hold living costs down, but they have not been large as yet, and stabilization of prices of products imported from the United States should tend to reduce the subsidies that might later be necessary.

In England a definite policy of price stabilization was announced in April 1941. From then until February of this year (a period of 10 months) the Ministry of Labor Cost of Living Index (not regarded as entirely representative of changes in actual costs) rose about 1 percent, compared with a 30-percent rise during the first 20 months of the War (August 1939 to April 1941). The corresponding rise in the wholesale price index of the English "Board of Trade Journal" amounted to 5 percent for the 10 months ending with February 1942, compared with 54 percent during the first 20 months of the war. Government subsidies have been necessary in effectively stabilizing the index of living costs in England. Price controls should not be as difficult in the United States as in England, where imports constitute a much larger portion of the commodities consumed. However, operation of lend-lease tends to ease the problem of price controls in England and to complicate it in the United States.

Hereafter the effects of the upward pressure on the general price level of rising consumer income and declining production for civilian use will be offset to a considerable extent by broadened Government controls, and further advances in wholesale and retail prices probably will be small compared with those of the past year.

FARM INCOME AND PRICES

Wholesale and retail prices of "raw and unprocessed" farm commodities generally are not subject to the maximum price regulation, effective this month, limiting highest prices of most other commodities to March 1942 peaks. But price ceilings do apply to a number of processed agricultural commodities which constitute about 60 percent of the food budget of urban workers, most of the clothing budget, and a few other consumer items, and will thereby tend to limit prices which processors can pay for the agricultural raw materials contained in them. These include clothing, shoes, beef and pork products, canned fruits and vegetables, lard and vegetable shortening, milk and cream sold at retail, tobacco products, and a few other items. The agricultural products (mostly processed) subject to price ceilings account for about 60 percent of the sales by farmers, used as a basis for weights in computation of the index of prices received by farmers. Products sold to consumers by farmers producing them are not subject to maximum price regulation unless the value of sales exceeds 75 dollars in one month.

Prices received by farmers rose 4 points from March to April, and at 150 percent of the 1910-14 average, were the highest since 1929. The April price advances were large for hogs, cattle, butterfat, cotton, potatoes and apples. Wheat prices declined more than 5 cents. Preliminary indications are that the general index of prices received by farmers will be about the same in May as in April. During the remainder of the year Government price regulations will tend to prevent as large price increases as might otherwise occur, but lend-lease food buying and improving consumer demand will continue as factors of strength in the price situation.

Prices paid by farmers continued to advance in April, reaching 151 percent of the 1910-14 average. Ceiling price regulations, covering more than 85 percent of the commodities used in compilation of this index, will have a tendency to slow down the advance in the index of prices paid by farmers. When the index of prices paid is considered as including interest and taxes, about 75 percent of the total weights are affected by price controls.

Farm income, which during the first quarter of 1942 declined somewhat after allowance for usual seasonal changes, apparently rose slightly more than is usual in April owing largely to increased hog marketings from the big fall pig crop and price advances for farm products generally. Further gains in income from sales, of at least seasonal proportions, are expected during the next few months. Hog marketings will continue large, dairy products will be in heavy production, and crop marketings are expected to increase at least as much as usual for the period. Prices received will be bolstered by lend-lease buying, Government price-supporting operations, and good consumer demand.

COTTON

Spot cotton prices fluctuated within a range of 2/5 cent during the past month. On May 15 Middling 15/16-inch cotton in the 10 markets averaged 20.24 cents, essentially unchanged from a month earlier. This compares with the March high of 20.37 cents, which is the price of raw cotton on which the various grey goods ceilings prices were based before the general ceiling order was issued in late April.

No ceiling prices are established for raw cotton but the cotton goods ceiling may be expected to affect cotton prices indirectly. According to the statement of considerations issued by the Office of Price Administration, the ceilings on unfinished textiles are presumably fixed at such a level, as to in no way prevent cotton prices from rising above the minimum level at which a ceiling could be established for raw cotton. It is likely, however, that the ceilings would act as a restraining force as sustained or continuing rises resulted in the substantial narrowing of manufacturers' gross margins. The ceiling order through reducing the rate of advance in the index of prices paid, including interest and taxes, may exert an indirect influence on cotton prices by affecting parity price and hence, the Government loan rate.

April consumption was at a rate of 46,089 bales per working day or a total of 999,000 bales for the month, both new records. For the first 9 months of the current season consumption totaled 8,245,000 bales. This compares with 6,993,000 bales during the corresponding period last season and an average of 5,242,000 bales for the 5 seasons 1935-39.

WHEAT

A winter wheat crop of 646.9 million bushels was indicated by the official crop report of May 11, which compares with 625.0 million bushels indicated a month earlier. This is 3.6 percent below the 671.3 million bushels produced last year, but 13.6 percent above the 1930-39 average of 569.4 million bushels. Favorable prospects reflect the excellent condition of the crop. If the winter crop turns out as indicated, and if spring wheat acreage should turn out to be as indicated by prospective plantings reports, and yields per acre should be about average, the new crop would total about 810 million bushels. With a prospective carry-over of about 630 million bushels,

total supplies would approximate 1,440 million bushels. The total in 1941-42 was 1,331 million bushels, consisting of a carry-over of 335 million bushels and a crop of 946 million bushels.

Domestic wheat prices have recently advanced from the lower levels reached in late April and are now about one cent above a month ago. On May 1 a loan was announced for the 1942 crop averaging \$1.14 a bushel at the farm nationally. This is 16 cents higher than the national average loan of 98 cents for the 1941 crop. At important terminal markets the loan values for 1942 are as follows: No. 2 Hard Winter at Kansas City \$1.27 and at Chicago \$1.32, No. 2 Red Winter at St. Louis and at Chicago \$1.32, No. 1 Dark Northern Spring at Minneapolis \$1.32, and No. 1 Soft White at Portland \$1.21. On May 15 cash prices were below the new loan values as follows: St. Louis 8-1/2 cents, Kansas City 13 cents, Minneapolis (hard spring) 14-1/2 cents, and Portland 23 cents. In the referendum held May 2 wheat growers approved marketing quotas for the 1942 crop by a favorable vote of 81.8 percent.

Of the 358 million bushels of 1941 wheat placed under loan, on May 2 298 million bushels were outstanding, 45 million bushels had been redeemed, and 15 million bushels had been delivered to the Commodity Credit Corporation. Of the 298 million bushels still outstanding 101 million bushels were stored on farms, a part of which will be resealed. It is expected that the remainder will be largely taken over by the Corporation. On May 2 wheat owned by the Corporation (from the 1939, 1940, and 1941 crops) totaled 121 million bushels. Sales of wheat up to May 2, under the program in which sales are made at prices fairly comparable to corn values, totaled 28 million bushels, while sales for alcohol production totaled less than 1 million bushels.

FATS, OILS, AND OILSEEDS

Demand for fats and oils is expected to show further improvement during 1942, and with prices for most items restricted by orders of the Office of Price Administration, the monthly rate of actual consumption of fats and oils probably will be increased unless restricted by Government action. Although the large inventories of finished goods held by dealers and consumers may supply part of this demand, present prospects are that total apparent disappearance of primary fats and oils in 1942, if unrestricted, will equal or exceed the record disappearance of nearly 11 billion pounds in 1941. Disappearance in the first quarter of 1942 was slightly greater than in the first quarter of 1941 and was about equal to the average quarterly disappearance for 1941 as a whole.

Production of fats and oils from domestic materials in 1942 is likely to be about 1 billion pounds greater than in 1941, but imports of fats, oils, and oilseeds in terms of oil, which in recent years have varied from 1.5 to 2.5 billion pounds annually, may be only half as large as they were in 1941. And with mounting lend-lease requirements, factory stocks of primary fats and oils are likely to be materially reduced in 1942. The low point will occur, seasonally, in late summer, before new-crop oilseeds move to market in volume.

Disappearance of paint and varnish oils set a new record in 1941. Requirements for such oils are expected to continue large this year, unless consumption is restricted by Government order. The prohibition of non-essential building recently announced by the War Production Board will tend to reduce the

quantity of paint and varnish oils needed, but this reduction may be about offset by increased use of such oils for ships and armaments, defense housing, and possibly for repainting and redecorating purposes. Supplies of the "fast-drying" oils, tung, oiticica, and perilla, will be very small, but abundant supplies of linseed oil are in sight.

Prices of linseed oil and butter, which are not restricted by ceilings, were considerably higher in April than in March, but the price of butter has since declined to some extent. Prices of fats and oils generally are not expected to change materially in the next few months.

CORN AND OTHER FEEDS

Maximum price regulations for all important byproduct feedstuffs, except linseed cake and meal, along with other commodities, were included in the general price order. Feed grains, ground or whole, and mixed feeds also are exempt. This regulation does not apply to meat scraps, digester tankage, or fish meal, since the prices of these feeds are regulated by special schedules previously announced. Prices of tankage, meat scraps, fish meal, and wheat millfeeds are at about ceiling levels, while most other feeds are considerably below the ceilings.

Prices of most byproduct feeds have declined during the past month. This decline is partly seasonal, but it also reflects increased production. Prices of corn, oats, and barley advanced during the past month. The price of No. 3 Yellow corn at Chicago in early May was the highest since 1937, while oats and barley prices were a little below peaks reached earlier this year.

Prospects for supplies of feed grains have not changed materially since April, when it was indicated that the 1942-43 supply may be about 5 percent less than the 1941-42 supply and the supply per animal unit about 10 percent less. Recent developments indicate that the combined 1942-43 supply of oil cakes and meals and gluten feed may be larger than the total of 6,500,000 tons indicated in March. With a favorable season, supplies of these feeds may be about 25 percent above the estimated 1941-42 supply of 5,700,000 tons. Production of soybean cake and meal during January-March was 17 percent greater than in this quarter last year, and production of linseed cake and meal about 30 percent greater. Production of these feeds was the largest on record for this quarter.

The outlook for hog prices this summer is the most favorable in a number of years. Slaughter supplies of hogs in the 5 months May-September are expected to total 15 to 20 percent greater than a year earlier, but the effect of this increase on prices will be more than offset by the strong consumer demand conditions, military needs and large lend-lease requirements for pork and lard. Hog prices at Chicago in recent weeks have averaged around \$14.00 per 100 pounds, with prices for heavy hogs above their usual relationship to prices of light and medium weight hogs. This level of prices for live hogs appears to be about the highest that can be expected under prevailing ceiling prices for pork and lard. Hog prices are not likely to decline much from this level for the next several months, probably not before next fall when the market movement of the record large 1942 spring pig crop gets under way in volume.

The weekly rate of pork and lard purchases by the Department of Agriculture has been stepped up sharply during the past few weeks. Purchases of pork during April amounted to over 200 million pounds. This quantity probably was equal or nearly equal to the 40 percent of federally inspected pork production requested of packers in early April. Lard purchases during April totaled about 100 million pounds. This quantity probably exceeded slightly the two-thirds of production rate requested, but a large part of the amount was taken out of storage. This is reflected in the sharp decrease in storage stocks of lard between April 1 and May 1.

The weekly rate of hog marketings increased in early May as the market movement of 1941 fall pigs picked up in volume. Inspected hog slaughter during April totaled about 4.2 million head, raising the 7 months (October-April) total to 32.5 million head, about the same number as was slaughtered in the corresponding period a year earlier.

CATTLE

Cattle prices weakened in late April and early May, following the announcement of the general maximum price regulation order, establishing wholesale and retail price ceilings for beef. No ceilings were placed on prices of live cattle, but since prices of both beef and cattle were higher in April than in March, the order had a depressing effect upon the prices of most classes and grades of cattle. The average price of good grade beef steers at Chicago for the week ended May 9 was \$13.45; this compares with \$13.95 for the week ended April 25 and \$13.25 for the last week in March. In early May last year the average price of good grade slaughter steers at Chicago was \$10.50.

Although cattle prices are generally \$2.00 to \$3.00 higher this spring than last, the establishment of ceiling prices for beef at the highest prices in March is unfavorable for some types of cattle production. Prices of feeder cattle have advanced sharply along with prices of slaughter cattle since last fall, and the spread between prices of feeder cattle purchased in April and the March level of fat cattle prices is quite narrow. On the other hand, because of the upward trend in cattle prices during the past 6 or 7 months, the spread between prices of feeder cattle purchased last fall and current prices for fat cattle is relatively wide. In fact, it is one of the most favorable feeding margins in several years.

Marketings of slaughter cattle continued large during April. Inspected slaughter for the month totaled 956,000 head, 3 percent more than in March and 21 percent more than in April last year. Marketings of well-finished slaughter cattle have decreased since the first of the year. But the number of cattle on feed in the Corn Belt on April 1 was nearly as large as a year earlier, and supplies of such cattle during the late spring and summer will again be large. Last year the large spring and summer marketings of fed cattle were reflected in a sharp decline in prices of such cattle. Reduced supplies of pork for domestic consumption, as a result of lend-lease purchases, and the strong civilian and military demand for meats will be important factors tending to offset the effect of the large supplies upon prices of fed cattle this year.

LAMBS

The outlook for the 1942 lamb crop is mostly favorable. Although the development of early lambs during March was delayed somewhat, weather and feed conditions in the principal early lambing areas were quite favorable during April, and early lambs have made unusually good gains. The May 1 condition of lambs was average or better in all areas except the far Northwestern States.

The market movement of new crop lambs during the early part of the 1942 spring lamb marketing season, which begins around May 1, probably will be a little smaller than a year earlier. The supply of lambs remaining on feed at the end of April was larger than a year earlier, and with the market movement of shorn yearlings from Texas delayed by unfavorable weather conditions this spring, the carry-over of old crop lambs into the 1942 marketing season probably will be a little larger than usual.

Lamb prices have advanced sharply during the past few weeks reflecting in part a seasonal reduction in slaughter supplies of fed lambs and the strong consumer demand for meats. Early May prices for good and choice grade woolled lambs at Chicago averaged close to \$14.00, nearly \$2.00 higher than in early March and about \$2.50 higher than in May last year. Market prices for early spring lambs also are about \$2.00 to \$3.00 higher this spring than last. Lamb and mutton prices were not included in the maximum price order, because sheep and lamb prices were below levels specified in the price control law.

Marketings of sheep and lambs for slaughter decreased in April but continued considerably larger than a year earlier, reflecting a continued large market movement of lambs from feed lots. Inspected slaughter of sheep and lambs in April totaled nearly 1.6 million head, about 6 percent less than in March and 9 percent more than in April last year. Inspected slaughter for the entire 1941-42 marketing year (May-April) totaled 18.5 million head, 5 percent more than in the 1940-41 marketing year.

WOOL

Prices of graded domestic wools at Boston were unchanged in April and the early part of May. Scoured basis prices for most wools are close to the maximum prices permitted for shorn wools under Office Price Administration price regulations. Demand for wool at Boston was good in April with mills purchasing wool to cover large army orders for wool cloth and blankets. The average price received by farmers for wool in mid-April was 39.2 cents a pound, about a cent higher than in mid-March and the highest reported since 1925. The April price this year was 4.7 cents a pound higher than a year earlier. Wool prices probably will not change much in the next few months.

Domestic mill consumption of apparel wool continued at a record level in the first quarter of 1942, despite restrictions on the use of wool for civilian goods. The January-March consumption was at the rate of 10.7 million pounds a week, scoured basis compared with the previous record of 10.5 million pounds a week in the final quarter of 1941. Consumption of apparel wool on a greasy shorn and pulled basis totaled 262 million pounds in the

first quarter of this year compared with 222 million pounds in the corresponding period last year.

Although the amount of wool which mills are permitted to use for civilian goods in the second quarter of 1942 will be considerably smaller than in the first quarter, the reduction will be about offset by increased consumption for military use. Awards were made during April on recent invitations which called for 74 million yards of wool cloth, 10 million blankets and 10 million pairs of wool socks. Most of these items are to be delivered by the end of 1942.

DAIRY PRODUCTS

Under the recent over-all price control regulation, maximum prices of fluid milk and cream at retail and of ice cream at wholesale and retail were fixed at the highest level reached during March 1942. Retail sales by a farmer of milk, cream, and ice cream produced and processed on his own farm are excluded if the value of such sales does not exceed 75 dollars in any one calendar month. No maximum prices have been fixed for wholesale prices of milk for fluid use or for retail or wholesale prices of manufactured dairy products.

Although price ceilings have been fixed for all byproduct feeds except linseed cake and meal, prices of most of these products are expected to continue below the ceiling level for the next few months. The effect of the price control regulation on fluid milk prices cannot be determined definitely, since a narrowing of dealers' margins would permit some increase in prices received by farmers for milk for fluid uses. However, it appears likely that the milk-feed price ratios during the last half of 1942 will average lower than a year earlier or than the 1920-34 average for the corresponding months.

Prices of butter increased steadily during April to about 3 cents above the new Government support level but lost about half of the gain during the first half of May. Prices of most other dairy products continued about steady. Milk production is now increasing seasonally and on May 1 was 4 percent larger than a year earlier. Production of evaporated milk, American cheese, and dry skim milk for human consumption were each over 50 percent larger in March this year than last, but creamery butter production was 9 percent smaller. Government purchases of the first three products more than absorbed the increased production.

POULTRY PRODUCTS

Egg production will decline seasonally until November but is likely to continue much larger than a year earlier. The output in April -- the seasonal peak for the year -- was 17 percent larger than in April 1941. The favorable relationship between feed prices and egg prices is encouraging farmers to delay marketing their old hens and to feed better than usual.

The Department of Agriculture, by making contract for delivery of dried eggs in designated months up to December 31, is encouraging private firms to store considerable quantities of both shell and frozen eggs for drying later in the year. During April, the total into storage movement of shell and frozen eggs was more than 46 percent (1,329,000 cases) larger than in April last year. Total stocks of eggs on April 1 were 56 percent larger than a

year earlier. The demand for eggs will be further strengthened in 1942 by increased consumer buying power and large purchases for lend-lease, and egg prices are expected to continue favorable for egg production throughout the year. Wholesale prices of eggs at Chicago declined somewhat in early May but in the middle of that month were a little higher than in mid-April and about 25 percent higher than a year earlier.

Eggs and poultry are excluded from that group of commodities for which price ceilings have been established. Prices of poultry products, therefore, may be increased by the purchasing power that will tend to be diverted from those products for which price ceilings were announced.

Hatchery production of baby chicks in April was about 19 percent larger than in April last year and the output in the first 4 months was about 19 percent larger than a year earlier. Comparable increases over last year probably will not be so marked in coming months, but it is likely that farmers will raise at least from 6 to 10 percent more chickens and turkeys this year. Despite the large supply, prices received by farmers for chickens and turkeys may average higher in 1942 than last year because of the prospective stronger demand for all meats.

TRUCK CROPS

Prices of fresh vegetables are not included in the general price order, since the legal ceilings do not apply to the sale of raw or unprocessed agricultural commodities. During April the average level of prices for important truck crops apparently was about the same as a year earlier. Greater demand this year is offset by larger prospective supplies, and no marked general price advance relative to 1941 is expected unless unfavorable weather upsets usual seasonal marketings. Present estimates for 21 truck crops indicate that their acreage this year may be about 6 percent more than in 1941. Because of higher yields, however, the increase in total tonnage will be greater than 6 percent. Chief increases in tonnage so far this year have been in cabbage, onions, spinach, lettuce, and tomatoes.

The general price control order may influence prices of some vegetables grown for processing in 1942. Maximum wholesale and retail prices of canned vegetables have been fixed at their highest March levels. Increases in acreage for important canning crops have been planned by processors and growers this year, since recent demand has practically eliminated potential carry-over from 1941 packs. If needed, it is expected that arrangements will be worked out to reflect reasonable prices to farmers. Price-support arrangements for peas and tomatoes had already been established by the Department of Agriculture previous to the price order.

POTATOES

Marketings of early potatoes increased sharply in early May, and prices of both old and new potatoes declined from their year's peak established in mid-April. Estimated early production is near the large crop of last spring, although a reduction is expected in intermediate production this summer. Prices for early potatoes probably will average considerably higher than last year, however, because of greater demand and small remaining supplies of late

potatoes. Prices of potatoes, almost all of which are used for fresh consumption, are not limited under the price control order.

FRUITS

Maximum wholesale and retail prices at March peaks apply to canned and dried fruits with the exception of dried prunes. Restrictions have not been applied to prices of fruit sold for fresh consumption. The maximum price order probably will tend to keep prices paid to growers for some of the canning and drying crops below what they otherwise would have been. If it is evident that the demand by canners for fruit that is urgently desired in the canned form is decreased because of restrictions in the maximum price order, it is likely that certain adjustments will be made. The maximum price order will tend to increase the demand for fruit sold in the fresh form over what it would have been if prices of most consumer goods had not been controlled. This favorable price factor will be offset to some extent by a reduction in the demand for fruits for home canning resulting from restrictions in the sugar rationing program. At the present time 5 pounds of sugar per person per year can be obtained for home canning. Prices of some fruits such as strawberries, pears, peaches, and sour cherries in certain areas may be adversely affected by this allowance.

Peach production in the 10 southern States is indicated to total 21.9 million bushels compared with 24.9 million bushels in 1941. A smaller crop this year coupled with increased consumer purchasing power probably will result in prices to growers averaging considerably above those received in 1941. At least average crops of clingstone and freestone peaches in California are expected this year.

Production of early and second early strawberries is estimated to total 6.6 million crates compared with 6.3 million last year. Production of intermediate strawberries, which are normally marketed from May 15 to June 15, is estimated to total 2.8 million crates compared with 2.4 million in 1941. Prices of Louisiana Klondikes at Chicago in the week ended May 9 averaged about 25 percent above prices in the comparable week last year.

ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUS-TRIAL PRO-DUCTION ¹	FACTORY EMPLOY-MENT ²	FACTORY PAY ROLLS ²	INCOME OF IN-DUSTRIAL WORKERS ³	WHOLE-SALE PRICES OF ALL COMMOD-ITIES ⁴	RETAIL FOOD PRICES ⁵	COST OF LIVING, URBAN ⁶	PRICES RECEIVED BY FARMERS ⁷	PRICES PAID BY FARMERS	PRICES PAID BY FARMERS, INTEREST AND TAXES	RATIO OF PRICES RE-CEIVED TO PRICES PAID INCL INTEREST & TAXES	CASH INCOME FROM FARM MAR-KETINGS ⁸
Base Period	1935-39	1935-39	1935-39	1935-39	1935-39	1935-39	1935-39	1910-14	1910-14	1910-14	1910-14	1910-14
1929	110	108	127	134	118	133	122	146	153	166	88	190
1930	91	94	103	110	107	126	119	126	145	158	80	152
1931	75	80	78	85	91	104	109	87	124	138	63	107
1932	58	68	54	59	80	86	98	65	107	120	54	80
1933	69	75	58	61	82	84	92	70	109	118	59	89
1934	75	88	74	77	93	94	96	90	123	128	70	106
1935	87	93	86	87	99	100	98	108	125	130	83	119
1936	103	101	99	100	100	101	99	114	124	129	88	139
1937	113	111	118	117	107	105	103	121	130	134	90	148
1938	89	93	91	91	98	98	101	95	122	127	75	129
1939	108	102	106	105	96	95	99	93	121	127	73	132
1940	123	110	122	119	98	97	100	98	123	128	77	141
1941	156	130	172	163	108	105	105	122	133	136	90	188
1941- Feb.	144	121	146	139	100	98	101	103	123	128	80	153
Mar.	147	122	147	141	101	98	101	103	124	129	80	161
Apr.	144	125	153	142	103	101	102	110	124	129	85	169
May	154	128	164	157	105	102	103	112	125	130	86	176
June	159	131	175	167	108	106	105	118	128	132	89	175
July	160	136	182	173	110	107	105	125	130	133	94	179
Aug.	160	136	183	174	112	108	106	131	133	136	96	186
Sept.	161	135	187	177	114	111	108	139	136	138	101	200
Oct.	163	136	189	178	115	112	109	139	139	141	99	203
Nov.	166	137	192	180	115	113	110	135	141	143	94	205
Dec.	167	138	197	187	116	113	110	143	142	143	100	244
1942 Jan.	171	138	208	196	119	116	113	149	146	146	102	239
Feb.	172	138	205	194	120	117	113	145	147	147	99	231
Mar. ⁹	172	137	204	193	121	119	114	146	150	150	97	229
Apr. ⁹	174	--	--	--	122	--	--	150	151	151	99	--

¹Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.

²Bureau of Labor Statistics, adjusted for seasonal variation and converted from the 1923-25 base (employment adjusted by Federal Reserve and pay rolls by Bureau of Agricultural Economics).

³Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised November 1941. To convert to 1924-29 base, multiply by 78.0744 percent.

⁴Bureau of Labor Statistics, 1926 = 100 converted to 1935-39 = 100 by multiplying by 124.069 percent.

⁵Bureau of Labor Statistics.

⁶Bureau of Labor Statistics. Index numbers of cost of goods purchased by wage earners and low-salaried workers in large cities.

⁷August 1909-July 1914 = 100.

⁸Adjusted for seasonal variation, converted from 1924-29 = 100 to 1910-14 = 100.

⁹Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and pay rolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.

After five days return to

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D. C.

Penalty for private use to avoid
payment of postage, \$300

OFFICIAL BUSINESS

U S DEPT OF AGRICULTURE
LIBRARY
PSL-MESS WASHINGTON D C